

Message Text

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44

ACTION EB-07

INFO OCT-01 EUR-12 EA-06 NEA-09 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 DODE-00 PM-03 H-02 L-02 PA-01 PRS-01 USIA-06

IGA-01 /105 W

----- 059280

R 011722Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9080

INFO AMEMBASSY NEW DELHI

AMEMBASSY OTTAWA

AMEMBASSY TOKYO

AMEMBASSY LONDON

AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY STOCKHOLM

AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EAID, EFIN, IN

SUBJECT: DEBT RELIEF AND THE AID-TO-INDIA CONSORTIUM

REF: STATE 066345

1. US PROPOSALS FOR HANDLING INDIA DEBT RELIEF
PROBLEM WERE CONVEYED TO OFFERMAN AND LANGERBEIN
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IN SOUTH ASIAN OFFICE OF MINISTRY FOR ECONOMIC

COOPERATION (WHICH IS RESPONSIBLE FOR ALL INDIA CONSORTIUM QUESTIONS) AND TO SOUTH ASIAN DESK OF FORNOFFICE. FORNOFFICE IS STILL VETTING US SUGGESTIONS AND HAS NOT PROVIDED SUBSTANTIVE COMMENT ON THEM.

2. OFFERMAN AND LANGERBEIN WERE MORE INTERESTED IN THE OVERALL VALUE AND QUALITY OF US AID TO INDIA THAN IN THE QUESTION OF WHETHER WE WOULD BE ABLE RESCHEDULE INDIA'S DEBTS TO US. INASMUCH AS DEBT RELIEF HAS BEEN GIVEN IN PAST AS PART OF OVERALL FRG ASSISTANCE PACKAGE, IT IS RELATIVELY EASY FOR FRG TO OFFER IT AGAIN THIS YEAR, REGARDLESS OF WHAT US DOES. OFFERMAN THOUGHT THAT FRG WOULD BE WILLING EXPLORE PROPOSALS FOR REDEFINING FFX, PARTICULARLY IF THIS WOULD HELP US TO INCREASE ITS AID TO INDIA. THE VALUE OF FFX APPROACH AS A MECHANISM FOR ASSESSING AND SHARING BURDEN OF ASSISTANCE EFFORT SHOULD NOT BE LOST SIGHT OF, AND THE FRG WOULD ALSO WANT TO BE SURE THAT A NEW FFX APPROACH WOULD HELP CHANNEL TO INDIA THE TYPES OF AID IT MOST NEEDS.

3. OFFERMAN AGREED THAT INDIA CLEARLY NEEDED FOOD AID THIS YEAR, AND THAT SUCH AID COULD JUSTIFIABLY BE CONSIDERED AS EQUIVALENT OF FFX. HOWEVER, COUNTING FOOD AID ON PERMANENT BASIS AS FFX EQUIVALENT WOULD NOT SQUARE WITH LONG-TERM GOAL OF INCREASING INDIAN FOOD OUTPUT TO POINT WHERE IT CAN FEED ITSELF. SPEAKING PERSONALLY, OFFERMAN THOUGHT THAT A POSSIBLE SOLUTION WOULD BE TO HAVE THREE FFX CATEGORIES: 1) FFX ITSELF, 2) FFX EQUIVALENTS, 3) LIST OF METHODS OR ITEMS THAT MAY BE CONSIDERED FFX EQUIVALENTS, DEPENDING ON INDIAN REQUIREMENTS IN ANY PARTICULAR YEAR. FOOD AID WOULD BE EXAMPLE OF 3RD CATEGORY. OFFERMAN PROPOSED THAT WE MIGHT USE CORRIDOR DISCUSSIONS IN COURSE APRIL 9-10 MEETING OF SRI LANKA AID GROUP IN PARIS FOR FURTHER EXCHANGE OF VIEWS.

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4. OFFERMAN SHOWED INTEREST IN US DESIRE COUNT FERTILIZER AID AS FFX EQUIVALENT, AND INQUIRED

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R 011722Z APR 75

FM AMEMBASSY BONN

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WHETHER US PLANNED GIVE FERTILIZER AID TO INDIA
THIS YEAR. HE WAS PARTICULARLY INTERESTED IN
WHETHER US COULD OFFER UNTIED CREDITS FOR FERTILIZER
PROCUREMENT. FRG IS PROVIDING FERTILIZER VALUED
AT DM 30 MILLION AS GRANT AID. ACCORDING TO
OFFERMAN, FRG AGENCY HANDLING FERTILIZER AID IS
AUTHORIZED PURCHASE FERTILIZER ANYWHERE IN WORLD
FOR SHIPMENT TO INDIA.

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5. ACCORDING TO OFFERMAN, FRG WILL OFFER DM 140 MILLION IN DEBT RESCHEDULING PLUS DM 30 MILLION IN LIQUIDITY AID, MAKING TOTAL OF DM 170 MILLION (\$74 MILLION AT EXCHANGE RATE \$1DM 2.3) COMING UNDER PRESENT DEFINITION OF FREE FOREIGN EXCHANGE. OTHER COMPONENTS OF DM 395 MILLION (\$172 MILLION) FRG AID PACKAGE WILL BE COMMODITY AID (DM 60 MILLION), FERTILIZER GRANT AID (DM 30 MILLION), TECHNICAL ASSISTANCE FOR AGRICULTURAL PROJECTS (DM 5 MILLION), AND PROJECT AID (DM 130 MILLION). ALLOWING FOR INFLATION, THIS PACKAGE IS DESIGNED TO PROVIDE ROUGHLY SAME AMOUNT OF ASSISTANCE AS FRG GAVE LAST YEAR.
HILLENBRAND

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: GOVERNMENT DEBTS, CONSORTIUMS, DEBT REPAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BONN05217
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750112-0832
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750495/aaaadifc.tel
Line Count: 186
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 066345
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 07 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07 APR 2003 by KelleyW0>; APPROVED <08 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DEBT RELIEF AND THE AID-TO-INDIA CONSORTIUM
TAGS: EAID, EFIN, IN, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006